



3 February 2020

Appendix

Sustainable taxation roadmap

The Government Programme states that a sustainable taxation roadmap is to be drawn up to serve the Government's climate goal, and that the first stage of this roadmap is to be completed in time for the 2020 government discussion on spending limits. It says the preparations will seek solutions that promote the Government's climate objectives in the most economically effective way, accelerating the shift away from fossil fuels while meeting the requirements of social justice. Moreover, the package is to include a reform of energy taxation, a reform of transport taxation, promotion of the circular economy, and a study of emissions-based consumption taxation. The Government will begin implementing this taxation roadmap as set out below.

Energy and transport taxation

The first phase of the sustainable taxation roadmap covers the reform of energy taxation. The working group appointed to examine energy taxation reform has been engaged in preparatory work on this. The working group was tasked with preparing a reform of energy taxation based on the Government Programme, assessing other possible aspects of the current energy tax system that could be revised, and taking into account business competitiveness and social and regional policy considerations alongside the carbon neutrality target. The working group will complete its main proposals on the reform in time to be incorporated into the spring 2020 government spending limits discussion. The working group's term ends on 1 September 2020.

In transport taxation, the Government has decided to increase the taxation of fossil-based transport fuels from 1 August 2020, raising an additional EUR 250 million in tax revenue, based on the projected level of the consumer price index. At the same time, tax relief on paraffinic diesel, totalling EUR 120 million, will be phased out during the period 2021–2023. The remit of the working group on transport taxation reform also includes looking at areas in which transport taxation could be further revised in the longer run, beyond the government term. The working group was tasked with making recommendations on tax measures needed for more effectively controlling emissions and for safeguarding the tax base. In addition, the working group is exploring ways to achieve emission reductions through changing the way in which employee benefits are taxed. The working group is to submit an interim report on tax changes regarding employee benefits by the time of the 2020 government discussion on spending limits.

The overall reform of energy taxation under the Government Programme consists of the following stages:

Stage I

Lowering the industrial electricity tax in a cost neutral manner to the minimum rate allowed by the EU.	To be phased in, from the start of 2021
Abolishing the industrial energy tax rebate system. This will be carried out in such a way that it does not lead to unreasonable situations for individual operators.	To be phased in, from the start of 2021
Reducing tax subsidies for combined heat and power production and increasing heating fuel taxation, so that tax revenues rise by a total of EUR 100 million over the electoral period. Energy taxation reform, including the question of how to tax peat, will begin in spring 2020. The energy use of peat is to be cut by at least half by 2030. The overhaul of energy taxation will include assessment of the necessary changes to peat taxation to ensure the 2030 target for peat is achieved.	From the start of 2021
Heat pumps and data centres generating heat for district heating networks will be transferred to category II electricity tax.	Aim is for this to be implemented at start of 2021 The proposal's compliance with EU law must first be verified
The future of emissions trading compensation will be examined with due regard to the content of the energy taxation reform.	Decisions in the autumn 2020 government budget session

The detailed content of the measures will be decided before the autumn 2020 budget session.

Stage II

<p>Assessing the need for further changes in energy taxation in the next 10–15 years by drawing up an energy taxation roadmap which, together with emissions trading, will support achievement of the 2035 carbon neutrality target and take into account business competitiveness and social and regional considerations.</p> <p>The aim, in connection with emission reductions and technological advances, is to safeguard the tax base in the longer run beyond the government term. Start working on the roadmap measures during the government term.</p>	<p>Set up a preparatory body in autumn 2020, after the energy taxation working group's term is over</p>
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Other sustainable taxation roadmap measures

The Government will determine in more detail other sustainable taxation roadmap measures and the timetables for them before this year's government spending limits discussion and the budget session.